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FOLLOWING CARACAS 3761 SENT STATE APR 29 RPT TO YOU QTE

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E.O. 11652: N/A

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SUBJ: SUMMARY REPORT OF AMBASSADOR EBERLE'S VISIT TO BRAZIL

1. FOLLOWING IS SUMMARY OF RESULTS OF APRIL 24 VISIT TO BRAZIL BY AMBASSADOR EBERLE AND HIS DELEGATION. DRAFTED BY AMEMBASSY BRAZIL AND CLEARED BY DELEGATION. SUMMARY: AMBASSADOR EBERLE AND PARTY HAD CORDIAL AND USEFUL EXCHANGE OF VIEWS WITH SENIOR MINISTERS OF GOB AND OTHER OFFICIALS. MAJOR ISSUES IN DISCUSSIONS WITH MINISTERS WAS USG COUNTERVAILING DUTY ACTION ON SHOES. FINMIN SIMONSEN GAVE ASSURANCES THAT GOB WOULD PRESENT COMPLETE DATA ON EXPORT INCENTIVES PRIOR TO JUNE 8 DEADLINE AND INDICATED THAT ENTIRE STRUCTURE OF THESE INCENTIVES WAS BEING EXAMINED FOR PURPOSE OF MAKING IT FULLY CONSISTENT WITH GATT. CURRENT STATUS OF TRADE LEGISLATION AND U.S. POSITION ON MAJOR ISSUES IN MTN WERE EXPLAINED IN DETAIL. GOB REAFFIRMED ITS DESIRE FOR CONTINUED CLOSE CONSULTATIONS WITH THE

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U.S. THEY ALSO INDICATED INTEREST IN SPONSORING

RESOLUTION IN GATT TO SEEK AGREEMENT ON RULES TO GOVERN CONTROL OF SENSITIVE IMPORTS. FONMIN SILVEIRA EXPRESSED HIS DISAPPOINTMENT WITH ACTIONS BY U.S. THAT HAVE EFFECT OF LIMITING GOB EXPORTS. DELEGATION LATER HELD TECHNICAL MEETING WITH MEMBERS OF GOB INTER-MINISTERIAL GROUP ON TRADE NEGOTIATIONS. FRAMEWORK FOR MEETING WAS SERIES OF PRESENTATIONS BY AMBASSADOR EBERLE AND MEMBERS OF PARTY ON TRADE LEGISLATION (TRA), GENERAL SYSTEM OF PREFERENCES (GSP), AND MULTILATERAL TRADE NEGOTIATIONS (MTN). GOB WILL PROVIDE PRODUCT LIST FOR GSP AND BOTH SIDES AGREED TO CONSULT AND EXCHANGE INFORMATION ON EXPORT SUBSIDIES. U.S. WILL INFORM GOB IF PROBLEMS ARISE ON GSP PRODUCTS. EBERLE NOTED COMMITMENT BY FINANCE MINISTER TO PROVIDE DATA FOR COUNTERVAILING INVESTIGATION ON SHOES. END SUMMARY.

2. AT WORKING LUNCH WHICH MIN OF IND AND COMMERCE GOMES ATTENDED, FONMIN SILVEIRA, THE HOST, MADE BRIEF STATEMENT WHICH CONTAINED THE FOLLOWING MAJOR POINTS: HE EXPRESSED HIS PLEASURE WITH THE PERSONAL CONTACTS HE HAD HAD WITH THE SECRETARY AND THE OPPORTUNITY IT HAD AFFORDED FOR A USEFUL EXCHANGE OF VIEWS; THE HARMONIZATION OF POLICIES BETWEEN THE U.S. AND BRAZIL WILL NOT BE AUTOMATIC BUT SHOULD BE A NATURAL PROCESS OF RECONCILING NATIONAL POSITIONS AND INTERESTS; EBERLE VISIT IS WELCOME AS AN EFFORT TOWARD SUCH HARMONIZATION AND FULFILMENT OF THE U.S. COMMITMENT FOR A NEW DIALOGUE; THE PRESENT STRUCTURE OF TRADE AND PAYMENTS MUST BE REFORMED; THE TOKYO DECLARATION ON TRADE ACCEPTS THE NECESSITY FOR DIFFERENTIALTED AND MORE FAVORABLE TREATMENT FOR THE LDC'S; HE RECEIVED WITH PLEASURE THE SECRETARY'S RECENT STATEMENTS ON U.S. TRADE POLICY; GOB MUST RESOLVE ITS DIFFERENCES WITH THE U.S. BEFORE WE CAN REAH HARMONIZED POSITIONS.

3. AMB. EBERLE STATED THAT HIS VISIT DID IN FACT REPRESENT A STEP TOWARDS A NEW RELATIONSHIP AND A NEW DIALOGUE, WHICH WILL HELP US MAKE CONCRETE PROGRESS. THERE WILL BE AREAS OF DISAGREEMENT AS WELL AS AGREELIMITED OFFICIAL USE

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MENT. THE U.S. DESIRES TO NEGOTIATE DISAGREEMENTS DOWN TO A MINIMUM. WE WISH TO SEE A MORE EFFICIENT INTERNATIONAL ECONOMIC SYSTEM IN WHICH THERE WILL BE MORE AID AND INVESTMENT. THERE ARE DIFFERENCES BETWEEN DEVELOPED AND LESS-DEVELOPED WORLDS, BUT WE SHOULD WORK TO MINIMIZE THESE DIFFERENCES AND SEEK AGREEMENTS ON SOLUTIONS.

4. IN GENERAL DISCUSSION BETWEEN AMB. EBERLE AND MINISTERS SILVEIRA AND GOMES, GOB CONCERN ABOUT COUNTERVAILING DUTY ACTION ON SHOES WAS REGISTERED. DISCUSSION ON SHOES WAS CONTINUED IN LATER MEETING WITH FINMIN SIMONSEN AND FONMIN SILVEIRA AS WELL AS OTHER SENIOR GOB OFFICIALS.

5. AMB. EBERLE EMPHASIZED FOLLOWING POINTS IN HIS COMMENTS ON SHOES; THIS PTEM IS PARTICULARLY SENSITIVE; IT IS MANDATORY THAT GOB PRESENT ITS FULL CASE, GOVERNMENT AS WELL AS PRIVATE, BEFORE DEADLINE OF JUNE 8; WE HAVE A PROBLEM IN CONGRESS CONCERNING ADMINISTRATION'S CREDIBILITY ON APPLICATION OF OUR COUNTERVAILING DUTY LAW; WITH THE TRADE LEGISLATION WE ARE ASKING FOR A 4-YEAR AUTHORITY WHICH WOULD ENABLE ADMINISTRATION TO SUSPEND ACTION ON COUNTERVAILING DUTY CASES UNDER CERTAIN CIRCUMSTANCES; FOR NOW WE MUST CONTINUE TO ACT ON COMPLAINTS THAT ARE FILED; EXECUTIVE BRANCH HOPES TO KEEP ISSUE OUT OF THE COURTS; IF LAWSUITS ARE INITIATED, THERE IS POSSIBILITY THAT WE MAY LOSE; TO RESOLVE PROBLEM IN THE LONG TERM WE WISH TO SEEK AGREEMENT ON AN INTERNATIONAL CODE.

6. MIN SIMONSEN PROVIDED FOLLOWING DETAILS ON GOB POSITION. BRAZIL INTENDS TO COMPLY WITH JUNE 8 DEADLINE, WOULD BE PREPARED TO SEND TEAM AGAIN, AND WISHES TO CONTINUE DIRECT CONTACTS ON QUESTION OF THE GENERAL TAX INCENTIVE SYSTEM, GOB EMPLOYS A WIDE VARIETY OF TECHNIQUES, SOME OF WHICH MAY BE COMPARABLE TO THE U.S. DISC LEGISLATION. GOB ASSUMES THAT IF ITS SYSTEM IS GATT COMPATABLE, THERE WOULD BE NO DIFFICULTY WITH U.S. MOST COUNTRIES, FOR EXAMPLE, REBATE VALUE ADDED TAXES. GOB IS EXAMINING ITS SYSTEM IN DETAIL AND IS LIMITED OFFICIAL USE

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PREPARED TO MAKE ADJUSTMENTS TO ACHIEVE COMPATIBILITY WITH GATT,
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